

**COUNTY OF NEVADA,  
CALIFORNIA**



**MANAGEMENT REPORT  
FOR THE YEAR ENDED  
JUNE 30, 2009**

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COUNTY OF NEVADA, CALIFORNIA  
MANAGEMENT REPORT  
FOR THE YEAR ENDED JUNE 30, 2009

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The Board of Supervisors and  
the Grand Jury  
County of Nevada  
Nevada City, California


We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the County of Nevada, Nevada City, California (County), as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 18, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Professional standards require that independent auditors communicate with the County about matters that are important to the County's oversight role. We previously reported on internal control and compliance in our Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards and in our Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133 dated December 18, 2009.

However, during our audit we became aware of certain other matters that are opportunities for strengthening internal controls and operating efficiency. The following report summarizes our comments and suggestions including immaterial noncompliance and control deficiencies that are not considered significant deficiencies or material weaknesses.

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Recommendations. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the organization, the Board of Supervisors and its regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
Smith & Newell, CPA's  
Yuba City, California  
December 18, 2009

**COUNTY OF NEVADA, CALIFORNIA  
MANAGEMENT REPORT  
CURRENT YEAR COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**09-MC-01 RECONCILIATION OF TRUST ACCOUNTS - AUDITOR-CONTROLLER**

**Condition**

At the time of our fieldwork we noted that the Auditor's Trust (Fund 5660) had unresolved amounts being held from the 2003/2004 fiscal year in the amount of \$4,250.

**Cause**

The department is holding \$3,771 from August 2004 for amounts due from the Courts and \$479 from July 2004 for OLGA unreconciled cash.

**Criteria**

Good internal control over the Auditor's Trust requires that monies held from prior fiscal years be researched and resolved in a timely manner.

**Effect of Condition**

The risk of errors and/or irregularities occurring and not being detected is increased when monies from prior fiscal years are held and not resolved in a timely manner.

**Recommendation**

We recommend that unresolved amounts held from the 2003/2004 fiscal year be researched and resolved.

**Corrective Action Plan**

The \$4,250 amount in the Auditor's Trust fund is the unidentified amount remaining from the Olga to Pentamation conversion. The Auditor-Controller's office has performed an extensive reconciliation of the \$116,881,257 cash balance and the net \$3,475,867 of accrual cash transactions from the Olga system. The unidentified balance is being researched to ensure it is applied to the correct accounts. Any remaining unidentified balance will be adjusted out in the current fiscal year.

**09-MC-02 RECONCILIATION OF TRUST ACCOUNTS - PUBLIC GUARDIAN**

**Condition**

At the time of our fieldwork, we noted that three conservatee trust accounts had credit balances, totaling \$475, indicating that monies had been paid out in excess of the available cash in the individual account.

**Cause**

The cash was paid out before the bank account had been reconciled and cash was not available in three individual conservatee accounts prior to the payment of expenses.

**Criteria**

Monies held in trust should be reconciled in a timely manner to the cash held in the bank account so that expenditures do not exceed the individual conservatee account balance.

**Effect of Condition**

Monies were disbursed from individual conservatee accounts in excess of available funds.

**Recommendation**

We recommend that the trust bank account be reconciled in a timely manner and that monies not be expended in excess of the cash balances held in individual conservatee accounts.

**COUNTY OF NEVADA, CALIFORNIA  
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**09-MC-02 RECONCILIATION OF TRUST ACCOUNTS - PUBLIC GUARDIAN (CONTINUED)**

**Corrective Action Plan**

The amount cited represents three client accounts in the following amounts: \$74.86, \$14.00 and \$387.10. All client accounts have been submitted for correction. It is noted that the \$74.86 was owed to the client account by the County. The \$387.10 was inadvertently paid in advance of the receipt of the conservatee's revenue. The \$14.00 was an expense that was paid on behalf of a newly conserved client prior to the accounts being set-up and revenue received. This is a condition that will occur from time-to-time as there is no funding in place to pay for immediate needs (i.e. rent, birth certificated for verifications, etc.). The Program will address the negative condition by maintaining positive balances in all conservatee accounts and not pay invoices from conservatee accounts without sufficient revenue. In the event of timing issues as previously mentioned, the Program will pay these expenses with County General Funds. Once funding is received into conservatee accounts the County General Fund will be repaid. Should sufficient revenue not be received by a conservatee, it would be the obligation of the County to fund the expense.

**09-MC-03 RECONCILIATION OF TRUST ACCOUNTS - SHERIFF**

**Condition**

At the time of our fieldwork, we noted that although the inflow and outflow of cash of the Civil Trust, the DOJ Livescan/CCWR Trust and the Bails and Fines Trust was being recorded on a monthly basis, the actual amounts held at month end were not reconciled to a detail listing of open trust items.

**Cause**

The department does not have a detail listing of open trust items to reconcile to the actual amounts held in the trust accounts.

**Criteria**

Good internal control over monies held in trust requires that the account balance be reconciled to a detail listing of open trust items.

**Effect of Condition**

The risk of errors and/or irregularities occurring and not being detected is increased when trust accounts are not reconciled to a detail listing of open trust items.

**Recommendation**

We recommend that the Civil Trust, the DOJ Livescan/CCWR Trust, and the Bails and Fines Trust accounts be reconciled to a detail listing of open trust items at the end of each month.

**Corrective Action Plan**

It is also our understanding that Smith & Newell found that we needed to try to discover the cause and correct, if possible, the discrepancies with our Civil Trust Fund (Fund 5306) and our Bails & Fines Fund (Fund 5305). As you are aware, our two offices have been actively working on Fund 5305 and feel that we have almost reached a consensus on a solution. The solution to this problem will also alleviate the problem we have with Fund 5332 (DOJ Fund).

Fund 5306, the Civil Trust Fund, is a more complex problem, but we are actively searching for the reason for the discrepancy and will continue to inform your office staff of our progress.

**COUNTY OF NEVADA, CALIFORNIA  
MANAGEMENT REPORT  
CURRENT YEAR COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2009**

**09-MC-04    INMATE MONIES - SHERIFF**

**Condition**

At the time of our fieldwork, we noted that although the Inmate Trust bank account was being reconciled to the accounting records on a monthly basis the balance held in the account was not being reconciled to the Resident Balance Report. This is a repeat of a prior year finding.

**Cause**

The reconciled bank balance at the end of April 2008 was \$45,875.15 and the balance of the Resident Balance Report was \$9,666.32.

**Criteria**

Good internal control over monies held for inmates requires that the account balance be reconciled to Resident Balance Report.

**Effect of Condition**

The risk of errors and/or irregularities occurring and not being detected is increased when monies held in the inmate Trust bank account are not reconciled to the Resident Balance Report.

**Recommendation**

We recommend that the Inmate Trust bank account be reconciled to the Resident Balance Report on a monthly basis.

**Corrective Action Plan**

We acknowledge that we have not been reconciling the Inmate Trust Fund to a resident balance report, but is a goal that we have actively been working to accomplish. We have finally had response to our repeated queries to the company whose accounting program we use for the Trust Fund and feel that we are very close to having discrepancies accounted for, corrected and a reconciliation acceptable to the Auditor's Office completed.

Upon the accomplishment of the above, the monthly reconciliations of the Inmate Trust Fund will be easily completed.



**COUNTY OF NEVADA, CALIFORNIA  
MANAGEMENT REPORT  
SCHEDULE OF PRIOR YEAR RECOMMENDATIONS  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>Audit Reference</u>	<u>Status of Prior Year Audit Recommendations</u>
08-FS-01	<b>CAPITAL ASSETS</b>  <b>Recommendation</b>  We recommend that the County thoroughly review the depreciation schedules at least annually to ensure that all items are properly included and that depreciation is calculated correctly.  <b>Status</b>  Partially Implemented
08-FS-02	<b>ACCOUNTABILITY OF PUBLIC GUARDIAN TRUST MONIES</b>  <b>Recommendation</b>  We recommend that the trust bank account be reconciled in a timely manner and that all stale dated checks be appropriately resolved.  <b>Status</b>  Partially Implemented
08-FS-03	<b>COLLECTIONS - TRUST ACCOUNT RECONCILIATIONS</b>  <b>Recommendation</b>  We recommend each trust account be reconciled with the Auditor-Controller's balance and any differences be resolved in a timely manner. We further recommend that the unidentified differences be resolved.  <b>Status</b>  Implemented
08-FS-04	<b>SHERIFF - INMATE MONIES</b>  <b>Recommendation</b>  We recommend that the Inmate Trust bank account be reconciled to the Resident Balance Report on a monthly basis.  <b>Status</b>  Not Implemented
08-FS-05	<b>SHERIFF - RECONCILIATION OF TRUST ACCOUNTS</b>  <b>Recommendation</b>  We recommend that the Civil Trust, DOJ Livescan/CCWR Trust, and the Bails and Fines Trust accounts be reconciled to a detail listing of open trust items at the end of each month.  <b>Status</b>  Not Implemented

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